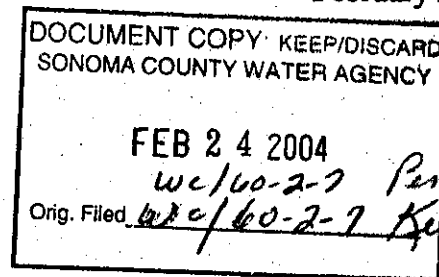


**Penngrove Water Company  
Kenwood Village Water Company  
4984 Sonoma Highway  
Santa Rosa, CA 95409**

February 20, 2004

Mr. James L. Jasperse, P.E.  
Deputy Chief Engineer  
Sonoma County Water Agency  
2150 W. College Avenue  
Santa Rosa, CA 95401



Dear Mr. Jasperse:

We have received the land use information pertinent to our water service areas from PRMD necessary to respond to your letters of August 11, 2003 and August 28, 2003. This letter presents our projections of future water demand for existing and approved developments, and for additional but not yet approved development projects, in areas served by the Penngrove Water Company (PWC) and the Kenwood Village Water Company (KVWC). A copy of the letter dated February 11, 2004 sent to us by Mr. Greg Carr of PRMD was forwarded to you, so the data presented therein will not be repeated in the summary below. In addition to the PRMD land use information, we are using historical usage data as the bases for our projections, with 2002 as the baseline year. Preliminary analyses for 2003 shows little change from this reference point.

**Penngrove Water Company**

As described in my letter to you dated September 26, 2003, PWC has two separate distribution systems within its CPUC-authorized service area: the Canon Manor District sourced by groundwater, and the Penngrove Town District sourced entirely by water delivered from the SCWA. Current and projected water demand for the PWC Town District is summarized as follows:

<u>Item</u>	<u>Quantity</u>	<u>Total Demand</u>
1.) Average number of connections in 2002	465	
2.) Water purchased in 2002	226 AF	226 AF
3.) Average annual single family dwelling (SFD) usage	0.49AF	
4.) Approved new connections	38	
5.) Equivalent approved new SFD connections based on described land use	71	
6.) Incremental annual demand for approved new uses	35AF	261AF
7.) Proposed, but not approved, new uses	16	
8.) Equivalent proposed/not approved new SFD connections based on described land use	39	
9.) Incremental demand for proposed/unapproved uses	19AF	280AF

As presented in the table above, total annual demand for water from the SCWA to serve the Town District is projected to increase from the current level of 226AF to 261AF when the approved new projects are constructed, and further to 280AF when the proposed, not yet approved, projects are added.

My letter of September 26, 2003 also presented an analysis and projection of the total number of connections that may be required in PWC's Town District when the town is fully built out, say for example in the year 2020. Based on that projection of 863 total connections, which would include the 54 new connections presented above, the total annual demand for water from the SCWA to serve PWC's Town District would be 466AF.

#### Kenwood Village Water Company

Analysis of projected future water demand from the SCWA for the KVWC system is somewhat more difficult than for the PWC Town District. Total water demand for KVWC was 180AF in 2002. More than 97% of this came from local groundwater sources. KVWC has three SCWA aqueduct turnouts, which (with the exception of one dedicated for service to the Kenwood Inn and Spa) are only used during periods of scheduled or unscheduled downtime of our primary pumping operation(s), or to occasionally augment fire flows. Demand from the SCWA has ranged from 2.6AF to 17.2AF over the last three years, with an average annual use of 9AF. Current and projected water demand from the SCWA for KVWC under normal operating conditions is summarized as follows:

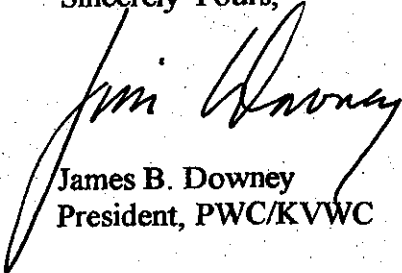
<u>Item</u>	<u>Quantity</u>	<u>Total Demand</u>
1.) Average number of connections in 2002	292	
2.) Average annual water purchased from SCWA in 2000, 2001, 2002	9AF	9AF
3.) Average annual SFD usage	0.62AF	
4.) Equivalent approved new SFD connections based on described land use	12	
5.) Incremental annual demand for approved new use	8AF	17AF
6.) Proposed, but not approved, new uses	0	17AF

The increase in annual demand for SCWA supply to KVWC, under normal operating conditions, from the current level of 9AF to the projected 17AF is due almost entirely to the recent expansion of the Kenwood Inn and Spa. In the event of prolonged downtime or catastrophic failure of KVWC's primary groundwater pumping operation, however, the system would become entirely dependent on the SCWA aqueduct source for whatever time would be required to implement a solution to the problem. Obviously, we cannot predict whether such an event will occur nor, if it does, what its duration would be. We believe that a prudent approach to this uncertainty would be for the SCWA to reserve an annual emergency allocation of 40-50AF (approximately 1.5 months of peak demand usage) to enable KVWC to provide continuous service to the community of Kenwood in

the event of such an occurrence. We urge the SCWA to adopt this allocation as the future demand requirement for KVWC.

Thank you for your consideration of the demand requirements outlined above for PWC and KVWC. Please contact me at (650) 948-8652 if you have any questions or if you require additional information.

Sincerely Yours,



James B. Downey  
President, PWC/KVWC

cc: Greg Carr, PRMD